

OVERVIEW

This section describes the City of Detroit governmental structure, financial procedures, budget development process, and long-term operational and financial policies, and it highlights recommended items in the 2004-05 budget.

GOVERNMENTAL STRUCTURE

Pursuant to the provisions of the State Constitution, Detroit is a home rule city with significant independent powers. In accordance with the Charter, the governance of the City is organized in two branches: the executive branch, which is headed by the Mayor, and the legislative branch, which is composed of the City Council and its agencies. The Charter also provides for an independent City Clerk who serves as Clerk to the Council and Chairperson to the Elections Commission. The Mayor, City Council members and the Clerk are elected every four years. The next regular election for these positions will be in November 2005. There is no limit to the number of terms that may be served by elected officials.

Following is a description of the duties and responsibilities of the various branches of City of Detroit government.

The Charter provides that the voters of the City reserve the power to enact City ordinances by initiative, and to nullify ordinances enacted by the City by referendum. However, these powers do not extend to the budget or any ordinance for the appropriation of money, and the referendum power does not extend to any emergency ordinance. A Charter Revision Commission established by the City electorate in the November 2, 1993 general election, issued recommendations in the spring of 1996

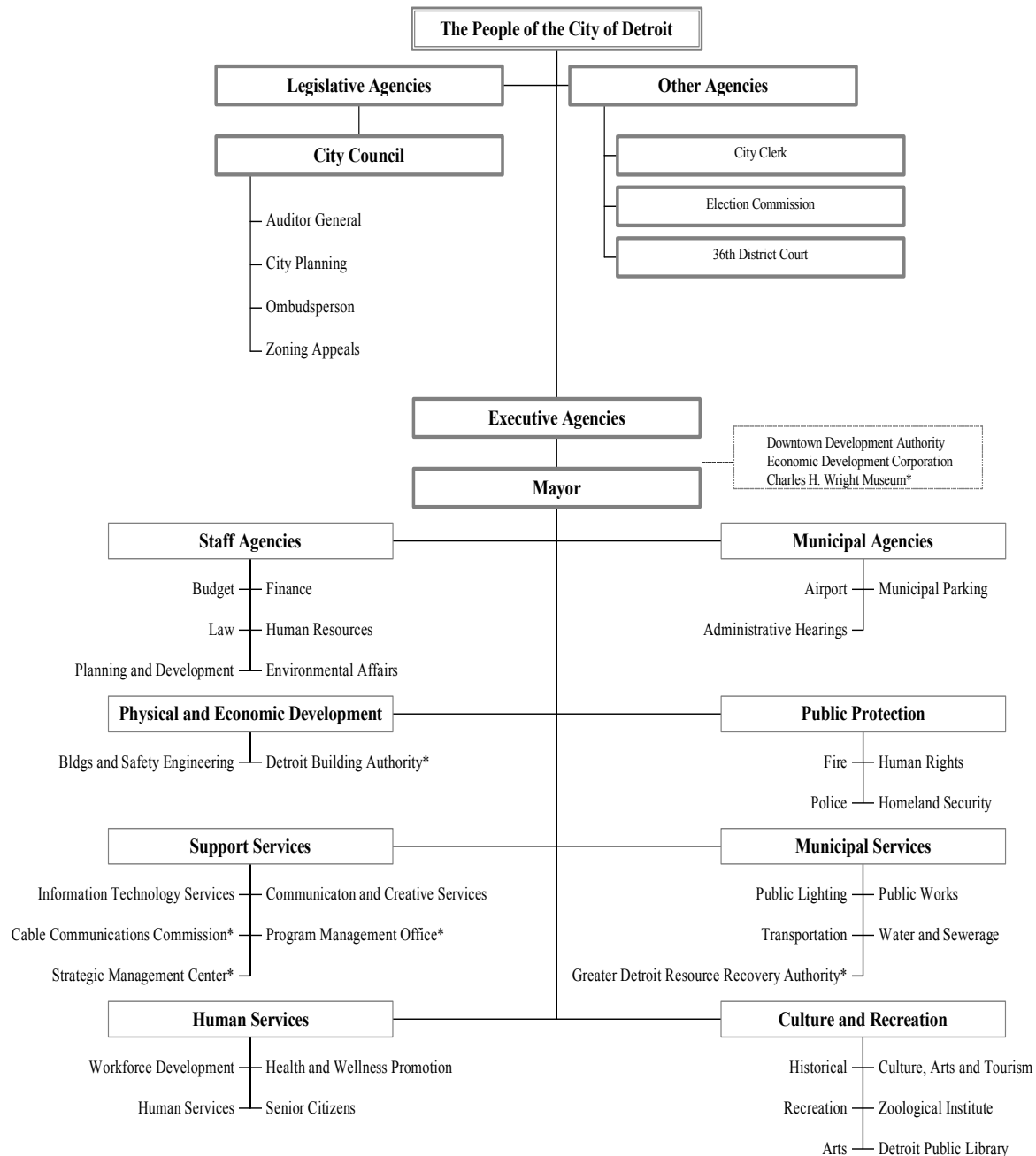
which the City electorate approved in the August 6, 1996 State primary election, to take effect January 1, 1997. Most provisions of the 1974 Charter were carried forward into the new charter. Some of the more significant changes included the establishment of a process by which traditional City-provided services may be contracted to non-public entities; a requirement to hold public hearings on budgetary matters prior to the initiation of the Budget process; changes to the appointment process of certain managerial positions; and designation of the Environmental Affairs Department as a Charter-mandated staff department.

The Mayor as chief executive of the City has control of and is accountable for the executive branch of City government. The Charter grants the Mayor broad managerial powers, including appointment of most department directors and deputy directors. The Charter delegates solely to the executive branch the responsibility for implementation of most programs, services and activities. An Executive Organization Plan (EOP) must be on file setting forth all agencies of the executive branch and assigning authorized programs, services and activities to each, including the six staff departments (in Article 6), six operating departments and a variety of other specified functions (in Article 7). The Mayor initiates changes to the EOP through an amendment process.

The proposed EOP calls for 29 operating and staff departments, including: Police, Fire (including emergency medical service), Public Works, Health and Wellness Promotion, Recreation, Transportation, and Water and Sewerage. Water and Sewerage

City of Detroit Proposed Organization Chart

Effective July 1, 2004



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Department policies are set by a Board of Commissioners. Early in 2000, a judge appointed the Mayor Special Administrator of the Wastewater Treatment Plant to prevent recurrent environmental noncompliance, and this oversight has been left in place indefinitely.

The City is not responsible for traditional welfare programs; however, the City does administer a number of social assistance programs through its Human Services, Workforce Development and Senior Citizens Departments. Generally, these programs are funded from the Federal or State of Michigan grants or from funds received from the private sector.

Financial operations of the City are carried out through the appointed positions of Finance Director and Budget Director. The Finance Director is the Chief Financial Officer of the City overseeing most financial functions of the City, including coordinating financial activities, collecting and disbursing funds, directing accounting procedures, purchasing goods and services and the assessing of property in the City. The Budget Director is responsible for the development of program and service objectives, controlling and supervising the expenditure of funds, long term financial planning, and for assisting the Mayor in the preparation of the City's annual budget and long-term capital agenda.

The City Council, composed of nine members elected at large for 4-year terms, is the City's legislative body. The City Council has the power to override the Mayor's veto with a two-thirds majority of its members. Three agencies that aid the City Council in the performance of its duties are described below.

The Auditor General is appointed for a term of 10 years by a majority of City Council members serving and may be removed for cause by a two-thirds majority. Any person who has held the position of Auditor General is not eligible for reappointment. By Charter, the major duty of the Auditor General is to audit the financial transactions of all City agencies; however since 1980 the City has retained independent accounting firms to perform that function. Due to the requirements of State law, annual audits are performed, although by Charter, internal audits are required only every 2 years. The Auditor General may investigate the administration and operation of any City agency and prepares various reports including an annual analysis for the City Council of the Mayor's proposed budget.

The Ombudsperson is appointed for a term of 10 years by a two-thirds majority of City Council members for the purpose of investigating any official act of any agency (except elected officers) which aggrieves any person.

The City Planning Commission, consisting of nine members appointed by the City Council for 3-year terms, advises the City Council on such matters as the annual capital budget, certain development or renewal projects and proposals for the demolition, disposition or relinquishment of, or encroachment upon, public real property or public interests in real property.

The City is responsible for the financial and administrative affairs relating to the 36th District Court. 36th District Court is Michigan's largest limited jurisdiction court, handling over 400,000 criminal, traffic, civil and parking cases filed in the City each year. Local School Boards are separate local jurisdictions in Michigan. In March of 1999

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State legislation gave the Mayor of Detroit the responsibility of appointing six of the seven members of the Detroit School Board (the "Reform Board"). Beginning March 26, 2004, the Mayor has the authority to appoint the seventh member. The Board appoints the chief executive officer.

An election to retain the Reform Board will be held during 2004. If residents vote to remove the Reform Board, the district would again be governed by an elected school board and new elections would be held. If residents vote to retain the Reform Board, the question may not be placed on the ballot for another five years and the mayor would continue to appoint the members of the Reform Board.

In 2001, the City Administration notified City Council of its intention that the Detroit Housing Commission would begin acting as a public body pursuant to State law, effective September 21, 2001. The Kilpatrick Administration's Recommended Budget for 2004-05 does not include Housing as part of the City's overall budget.

FINANCIAL PROCEDURES

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City conform to generally accepted accounting principals (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Boards (GASB). Each department and agency receives financial information along appropriation, organization, program and project lines, but in an integrated environment. This information is used to allocate financial resources and to control actual expenditures in relation to the amended budget. In

addition, historical information from these reports can be used for analysis and preparation of the annual financial report.

The City utilizes the Detroit Resource Management System (DRMS) to record and process financial information. For example, DRMS is now being used to conduct business for all of the City's "core" financials (purchasing, accounts payable, accounts receivable and general ledger), as well as to track applicants for employment and for budget processes.

Basis of Accounting

The City's financial statements are prepared in conformity with generally accepted accounting principles. "Basis of accounting" refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Except for the City's Enterprise Funds and Pension Funds (which are accounted for on the accrual basis), the City's funds and accounts are maintained and reported on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only

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when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources which are susceptible to accrual include property taxes, income taxes, utility taxes, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The city also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Basis of Budgeting

The Budget is prepared on essentially the same principles as the accounting system. The General Fund is budgeted on a modified accrual basis and enterprise funds on the accrual basis. The major differences between the budgeting and accounting basis are: 1) encumbrances are recorded as expenditures (budget basis) rather than as a reservation of fund balance (accounting basis); 2) compensated absences (accrued but unused leave) are not reflected in the budget; 3) depreciation expense is not included in the budget basis. The Charter requires that the Budget is based on Programs, and budget appropriations for the most part reflect programs except that overhead costs of activities are not apportioned in allocations.

Fund Balance

The fund balances of the General, Special Revenue and Capital Projects Funds have been classified to reflect certain limitations and restrictions. Reserves for Inventories are equal to the amount of the inventories and signify that such assets are not presently available for appropriation and expenditure. While the City is not required to carry unliquidated encumbrances past the end of the fiscal year, it sets aside, within each respective fund balance, an amount equal to the unliquidated encumbrances that the City wishes to carry forward. In the succeeding year, the budget is increased by an amount sufficient to cover the unliquidated encumbrances and these encumbrances are reinstated. Unliquidated appropriations represent amounts appropriated for liquidation of encumbrances and for other commitments not liquidated by year-end and carried forward to the succeeding year's budget. Any remaining balance constitutes an unappropriated surplus. In accordance with a City ordinance, one-half of any unappropriated surplus is transferred to a Budget Stabilization Fund with the balance being available for other appropriations in the following fiscal year. Any unappropriated deficit is funded in the succeeding fiscal year.

The Budget reflects half of this General Fund balance as a prior year surplus (revenue in the Non-Departmental budget) or deficit (appropriation in the Non-Departmental budget). All other Funds do not include a Prior Year Fund Balance.

Budget Stabilization Fund - In 1978, the State Legislature authorized municipalities to establish budget stabilization funds for the purpose of providing a method to stabilize financial operations, especially during

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cyclical economic periods. In 1979, the City, by ordinance, established the Budget Stabilization Fund of the City to cover General Fund deficits, to restore reduction in the number of employees and to cover expenses arising because of a natural disaster. One-half of the General Fund surplus is to be appropriated to this fund in the fiscal year following the year that a General Fund surplus is experienced, up to the lesser of either 15% of the City's most recent General Fund budget or 15% of the average of the City's five most recent General Fund Budgets. As of June 30, 2003, the Budget Stabilization Fund had a balance of a \$8,468,053. The Executive Branch plans to use these reserves to help cover the 2002-03 shortfall, pending approval by the Legislative Branch.

This fund is not reflected in the Budget.

GASB 34 Activities

Government Accounting Standards Board Statement #34 establishes new requirements for the annual financial reports of state and local governments. The City has taken steps to improve the descriptiveness and usefulness of its base financial information, and has prepared the June 30, 2003 CAFR using the new financial reporting requirements as prescribed by GASB statement 34.

BUDGET PROCESS AND CONTENT

The general content and the process of developing the City's annual budget are prescribed by the City Charter. The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included. The City estimates a prior year surplus or deficit for the General Fund, which reflects the ending

financial position for the prior year (the "fund balance"). Any deficit during the preceding year is entered into the budget for the next fiscal year as an appropriation in accordance with the City Charter. One-half of any surplus is credited to the Budget Stabilization Fund with the remainder being included as a revenue in the following year. The total of proposed expenditures cannot exceed the total of estimated revenues so that the budget as submitted is "balanced".

Budget Development Calendar

The City Charter, since its 1997 revision, requires before November 1 of each year and prior to submitting a proposed annual budget (by December 8), that the departments of Police, Fire, Public Works, Water and Sewerage, Recreation, Health and Public Lighting conduct a public meeting to review programs, services and activities to be included in the budget and to receive public comment. A general summary of these departments' programs, services and activities funded in the current fiscal year, along with the date, time and place of the meeting, must be published in one or more daily newspapers of general circulation not less than ten days before the meeting is held.

Budget staff organizes the meetings every October with different community partners as hosts (for all departments except Water and Sewerage, which holds its own public meetings). Budget staff also meets with high school classes, and administers an annual *Survey of Citizen City Service Priorities* from September 1–November 1. The survey is distributed to block clubs and community organizations and throughout city facilities, and can be completed on the city website.

A wide range of Detroiters gave input in 2003. Findings were communicated to the Mayor, City Council and participating

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departments before agency budget requests were due, December 8 [see “Community Profile” in the Appendix.]

The initial budget, which includes all department estimates of revenues and expenditures required for the fiscal year beginning July 1, is submitted to the Mayor by the Budget Department on or before the preceding February 22. The Mayor may revise the budget prior to submitting it to the City Council on or before April 12, the date established by City ordinance.

Prior to approval of the budget, the Auditor General prepares an analysis of the proposed budget, and City Council holds hearings with various agency heads and a public hearing. The City Council may amend the budget as presented by the Mayor, on or before May 24. Any Mayoral veto of City Council amendments to the budget may be overridden by a two-thirds vote of the City Council members serving. The City Council’s reconsideration of the budget must be completed within the longer 3 calendar days or 2 business days following the maximum return date of the budget by the Mayor and any Mayoral veto.

Budget Adoption

The adoption of the budget provides for: 1) appropriations of specified amounts from funds indicated, 2) a specified levy of the property tax, and 3) provision for the issuance of bonds specified in the capital program. The budget document as adopted becomes the basis for establishing revenues and expenditures for the fiscal year following the fiscal year of passage.

Appropriations - The Charter requires that appropriations be made in lump sums to the agencies for specific programs, services or activities or to additional classifications as the Mayor may recommend. Within an appropriation, the Mayor is given the responsibility of allocating financial resources to labor, equipment, supplies and materials in a manner which appears most suitable and economical in a given situation. However, the accounts of each agency are maintained in such detail as required by generally accepted standards of financial reporting.

Budget Revisions

The appropriation for every function of each City department is a fixed expenditure and may not exceed the original appropriated level without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available for appropriation revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. The Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services or activities within an agency or from one agency to another.

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BUDGET CALENDAR FOR FISCAL YEAR 2004-2005 BUDGET

The <i>VARIOUS OFFICERS, DEPARTMENTS, COMMISSIONS</i> AND BOARDS shall complete their estimates of requirements for each activity during the ensuing fiscal year.	On or before Monday, December 8, 2003
The <i>BUDGET DIRECTOR</i> shall make up and transmit to the Mayor a tabulation of such estimates.	On or before Friday, February 20, 2004
The <i>MAYOR</i> shall consider the budget and may revise or alter same, to be completed and returned by him to the Budget Director for tabulation.	On or before Monday, March 29, 2004
The <i>BUDGET DIRECTOR</i> shall retabulate the revision and the <i>MAYOR</i> shall transmit the revised budget to the City Council.	On or before Monday, April 12, 2004
The <i>CITY COUNCIL</i> shall consider the budget transmitted by the Mayor and may revise, alter, increase or decrease, to be completed.	On or before *Monday, May 24, 2004
The <i>CITY CLERK</i> shall retabulate the budget as revised by the Council and transmit it to the Mayor for his approval or rejection.	On or before Thursday, May 27, 2004
The <i>MAYOR</i> shall return the budget to the City Council with his approval, or if he shall disapprove the whole or any items therein, with a statement of his reasons therefore.	On or before Wednesday, June 2, 2004
The <i>CITY COUNCIL</i> shall act upon any item or items that shall have been disapproved by the Mayor.	On or before *Monday, June 7, 2004
After the <i>MAYOR</i> shall have approved the budget, or the <i>CITY COUNCIL</i> shall have acted upon any part or item thereof which shall have been disapproved, the <i>FINANCE DIRECTOR</i> shall make an itemized statement of the amount to be raised by taxation, and a similar statement for the issue of bonds.	On or before *Monday, June 14, 2004
Begin City operations under the new control of the 2004-05 Budget	Thursday, July 1, 2004

*Calendar dates that require scheduling of a formal session of CITY COUNCIL.

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Fiscal Year 2004-05 Budget Goals and Budget Guidelines

The 2004-05 Recommended Budget is based on realistic revenue and expenditure assumptions. When the Budget process began, a major budget gap had to be addressed due to additional costs and revenue shortfalls. Examples include:

- ❖ Continuing decline in income tax collections associated with the slow economic recovery.
- ❖ Issues related to the Police Department consent decree.
- ❖ Decreasing State Revenue Sharing funds.
- ❖ Increased pension costs and hospitalization costs.
- ❖ No more special casino payments (\$46 million in 2003-04).

To deal with this urgent situation, certain standardized constraints were imposed on departments. These included:

- ❖ Departmental requests for 2004-05 shall not exceed the 2003-04 "Net Tax Total" for your department. Essentially, making adjustments for inflation by increasing efficiencies. Departments, which typically receive subsidies from the General Fund, should reflect a zero subsidy increase.
- ❖ Do not make requests in your primary 2004-05 Budget, which result in increases in the number of positions over the number approved for 2003-04.
- ❖ Make only limited requests for travel.

Departments were given a number of standardized assumptions for use in preparing their requests, such as:

- ❖ Utility costs same as in 2003-04 budget, except for water (109%) and sewerage (109%)
- ❖ Supply costs to reflect a general 2% inflation rate, unless other specific

information was available.

- ❖ High priority on new and increased revenues, particularly fees and user charges. Special emphasis was given to reviewing fee schedules to insure that fees and charges for service reflect the value of the service and the City cost of providing the service.
- ❖ Salary and Wages based on current negotiated rates.
- ❖ Fringe and pension costs per a schedule.
- ❖ Travel and Training requests to include detailed information.
- ❖ Automotive Equipment per a prescribed replacement schedule, requested in a five-year horizon through the newly-formed Vehicle Management Steering Committee
- ❖ Coleman A. Young Municipal Center rental rate
- ❖ Technology costs per a schedule

The budget was prepared using the BRASS software. The Budget Department held a series of training workshops in September and October 2003 for each department to electronically submit their budget requests. The Budget Department also held the annual Budget Request Training Session for departments on October 16, 2003 to explain budget development process and to provide special technical assistance to Departments.

Recommended 2004-2005 Budget Items

The following are major items and programs included in the 2004-2005 Mayor's Recommended Budget.

INFRASTRUCTURE

- ❖ **Historical Bonds** - \$1.6 million for the Collections Resource Center Planning, Historic Fort Wayne-Renovation and Main Museum American Disability Act Improvement.

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- ❖ **Police Bonds** - \$6.1 million for several projects. These projects have been mandated by the Department of Justice and grouped into two categories: existing facility upgrades and training facilities.
- ❖ **Recreation Bonds** - \$6.3 million for Park Development – Force Work, Parks and Landscapes and Recreation Facility Improvements.
- ❖ **Detroit Zoo Bonds** - \$3.4 million for the Belle Isle Nature Zoo, Paving/Roads/Utilities, Southeast Oakland County Water Authority (SOCWA) DEQ/Freshwater Backflow Prevention Mandate and other improvements.
- ❖ **Detroit Institute of Arts Bonds** - \$5 million in bonds for the North Wing Remediation and \$124,400 in investment earnings.
- ❖ **Charles H. Wright Museum of African-American History Bonds** - \$1.5 million for the core exhibit.
- ❖ **Library Bonds** – A total of \$736,600 in investment earnings for the American Disability Act Renovations.

FISCAL RESPONSIBILITY ITEMS

- ❖ **Take Home Vehicles** – A reduction of 57% in take home vehicles. 74 vehicles will be sold. A new policy will be implemented that provides vehicles to employees on a economic and business basis versus a perk.
- ❖ **Citywide overtime** – overtime is being reduced by \$4.6 million, a 13% reduction.
- ❖ **Fee Study** – Finance Department is conducting a fee study of five (5) departments; Department of Public Works, Fire Department, Police Department, Recreation Department and Department of Health and Wellness Promotion. Many departments have not

reviewed fees in a number of years. This should net an additional \$4 million in revenues in FY2004-05.

- ❖ **Lease agreements** – A review is being conducted of citywide leases by professional facility managers. They will renegotiate leases on the city's behalf which should result in a 15% savings.
- ❖ **The Strategic Management Center** is being established to focus on execution of citywide strategic goals as well as revenue enhancements and cost reduction initiatives.
- ❖ **Communication Consolidation** – Centralize print shop operations into one coordinated reproduction center which will reduce printing costs and provide higher quality print material. Centralize public relation operations to increase consistency of message and economy of scale.
- ❖ **Property Tax Collection** – Effective March 2004 Wayne County will collect delinquent property tax bills. This should net an additional \$20 million.
- ❖ **Personal Property Tax Audit** – The Assessors Division of Finance received a state grant to perform audits of personal property from businesses. Through these efforts an additional \$3.5 million should be collected in personal property tax.
- ❖ **Pension Obligation Bonds** – The City will issue pension bonds to satisfy all the unfunded liabilities associates with our pension funds. This is an one-time contribution for this year which will produce savings for the city over the next 10 to 12 years by paying these obligations up front.

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MAYORAL INITIATIVES

- ❖ **Department of Administrative Hearings** – This department is being established to strengthen code enforcement efforts by assessing and collecting civil fines and costs for blight violations issued under the 1984 Detroit City Code. This agency will adjudicate all blight violations from the specific code enforcing agencies.
- ❖ **Host Community Agreements** - Environmental Affairs will enter into Host community agreements with solid waste facilities doing business in the city. This will allow the city to monitor and bring into compliance these facilities.
- ❖ **Transfer consumer functions and eliminations of executive positions** – transfer of functions to other agencies to increase coordination and to save overhead: Consumer Advocacy to Senior Citizens Department; Business License Center to Building and Safety Engineering Department, Weights and Measures regulation to the Police Department Traffic Engineering Section.
- ❖ **Housing** – The Detroit Housing Commission will function as a separate independent entity in FY2004-05 and is not reflected in the Budget.
- ❖ **Cultural Affairs** will become the Department of Culture, Arts & Tourism, Employment & Training Department becomes Detroit Workforce Development Department and the Health Department name change is reflected as the Department of Health and Wellness Promotion. These changes are to better reflect the new mission of each department.
- ❖ The 2004-05 Recommended Budget will include 997 fewer positions from the current budget. This reduction includes

the elimination of Housing Department's 357 positions. The remaining reductions are reflected throughout the various agencies.

- ❖ **Recreation Department's:** A total of twelve (12) additional part-time positions will be added to the staff at the Recreation Centers and will provide a clean, safe, nurturing environment for our kids who attend the Summer Day Camps.
- ❖ **Buildings and Safety Engineering Department** General fund subsidy will be reduced from \$1.9 million to \$0, due to increased revenues.
- ❖ **Transportation Operations subsidy** increased from \$68.2 million to \$69.6 million, an increase of \$1.4 million.
- ❖ **The Detroit People Mover subsidy** was reduced by \$2.5 million.
- ❖ **Airport's subsidy** reduced from \$2.7 million to \$2.5 million.
- ❖ A total of \$10.5 million in block grant funds is recommended for the Demolition Program.
- ❖ The Recommended Budget includes the elimination of the Block Grant Nuisance Abatement Program. A total of six (6) positions have been deleted.
- ❖ **The Head Start Program** is expected to receive an increase of \$882,000 in federal grants.
- ❖ **Detroit Workforce Development Department** recommendation reduced by \$39.3 million or 47% of the current budget total of \$82.9 million. These cuts are based upon the state and federal government allocation.
- ❖ **The Community Development Block Grant** includes a net increase of \$2.0 million primarily due to additional

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program income reflected in Planning and Development Department.

- ❖ **Special Area Maintenance Program (SAM)** – Detroit Building Authority will implement the final phase of the exit strategy to eliminate service to several project areas throughout the City. Previously, the SAM Program provided landscape maintenance, litter clean up, electrical maintenance for pedestrian lighting and mechanical maintenance for fountains and underground sprinkler systems. These functions will be picked up by the business owners.
- ❖ A total of \$28.4 million is included in Internal Service Fund for vehicle fleet purchases. Vehicles will be provided for DPW, Fire, Health, PLD, Police, Environmental Affairs, 36th District Court, Recreation, Zoo, Airport and Elections.

LONG-TERM OPERATIONAL POLICY OF THE CITY

In 1995 the City began a shift to results-oriented program management. A citywide vision, mission and cornerstone goals were stated, to direct agency-level operational goal and objective setting. Agency operating goals are linked to citywide functions, as expressed in 8 program categories.

A number of self-study techniques were subsequently introduced as tools to clarify and prioritize agency service objectives. The Kilpatrick Administration has continued this effort, embracing long-term operational and financial policies that were developed.

Vision of the City of Detroit

Because of the continued commitment to “Kids, Cops and Clean,” Detroit is a vibrant,

clean city where families have access to new opportunities, technological innovation, and dwell within safe, strong and smart communities. The core values of City government are: courage, integrity and accountability.

Operational Planning and Goals

The hallmarks of City management are operations planning and information.

In 1995, the City began using the Continuous Improvement Process, a systematic approach “to optimize all resources to produce world class quality products and services at the right time, in the right quantities, based on customer demand”. In 1999, city services were benchmarked in a Detroit Renaissance assessment, and Labor-Management Quality Teams in six departments studied core service processes. The Detroit Renaissance study identified major areas of opportunity in eleven agencies, as well as ten activities currently performed well by the City. Labor-Management Quality Teams in six departments convened employees from all levels to study their core operations: Finance (purchasing and accounts payable), Fire (emergency medical service response time), Transportation (coach maintenance), Recreation (park maintenance), Buildings and Safety Engineering (code enforcement procedures and residential permitting); and the Detroit Zoological Institute.

In 2002, Mayor Kilpatrick convened the Committee on Operational and Financial Re-engineering, a broad-based group charged with reducing costs, eliminating redundant processes, and streamlining city operations. This group made several recommendations that were implemented in 2003-04.

Operational planning has occurred in each

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department, using these studies and the participation of all levels of employees to build departmental goals, measures, and targets. Performance indicators have been attached to major measurable service components for tracking. The resulting plans were updated as part of the CitiTrak system of management accountability rolled out in January of 2003.

The Executive Budget presents core performance measures along with narrative descriptions of agency activities, initiatives and plans. The “Planning for the Future” section for each agency describes its 3 - 5 year outlook. This section was developed as a result of the setting of strategic directions for the city in 1999. This outlook anticipates expected and possible changes in agency operating environments (accounting for governmental mandates, trends and program initiatives). The agency assessment produced staff, equipment and other resource proposals. This perspective is informed by a projection of major revenues through 2010.

Citizen input is also factored into operational planning. Since 1997, the City has administered a Survey of Citizen Satisfaction and City Service Priorities in conjunction with the annual public budget meetings. The findings advise the proposals of major General Fund departments (Police, Fire, PLD, Health, DPW and Recreation), and the findings are available every Fall on the City of Detroit website. [See Community Profile

in Appendix.]

The guiding principles used by the City for operational policy decisions are:

- ❖ Standard of efficiency and effectiveness in service delivery
 - A committee of business and labor leaders recommended ways to reduce expenses, eliminate redundant processes and streamline operations.
 - A capital committee reviewed substantial city contracts for cost effectiveness and some citywide contract consolidations have resulted.
 - CitiTrak system for major field departments to promote management accountability by monitoring performance measurement.
- ❖ Practice of priority-setting to guide resource allocations
 - The initial priorities of the Kilpatrick Administration have been stated as “Kids”, “Cops” and “Clean.”
 - Ten community areas defined in a community planning process have begun to guide field departments by better targeting neighborhood needs and coordinating city services
- ❖ Commitment to city service planning
 - laying out processes for vehicles, facilities, technology, and other resource planning

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OPERATIONAL POLICY AND GOALS: City functions determine agency operating goals

1. PROTECT INDIVIDUALS AND PROPERTY IN DETROIT
PREVENT AND CONTROL CRIME through Police Department precinct operations, specialized investigative and narcotics services, and the science and technology bureau
ENFORCE TRAFFIC LAWS AND ORDINANCES The Business License Center provides consumer safety protections The Weights and Measures operation enforce truck safety The 36 th District Court handles small claims, misdemeanor crimes and preliminary felony exams in Detroit
PREVENT AND CONTROL FIRE through response to fire calls, and public education and investigation
PREPARE FOR WIDE-SCALE, HAZARDOUS COMMUNITY EMERGENCIES The Fire Department operates ambulance services and emergency management response capability The Office of Homeland Security coordinate local and external resources around securing Detroit's borders
2. MAINTAIN AND IMPROVE THE HEALTH OF DETROITERS
DELIVER PREVENTIVE HEALTH SERVICES Health programs include nutrition; prenatal care; vision, hearing and lead testing; and substance abuse coordination The Human Service Department's Head Start, Early Head Start and youth programs are preventive by design
DELIVER SERVICES THAT SUPPORT FAMILY AND NEIGHBORHOOD WELL-BEING 4 family Health Centers and inspection and licensing of pools, restaurants and other environmental health hazards Human Services programs include weatherization, energy aid, drug treatment, homeless and other emergency needs
SUPPORT THE HEALTH CARE SYSTEM with Health Department leadership and clinical technical services
3. PROVIDE RECREATIONAL AND CULTURAL OPPORTUNITIES IN DETROIT
PROVIDE RECREATIONAL FACILITIES AND ACTIVITIES THROUGHOUT DETROIT The Recreation Centers, athletic leagues and other special events are available throughout Detroit.
PROMOTE CULTURAL EVENTS AND FACILITIES IN DETROIT The City owns the Detroit Institute of Arts and subsidizes its operations The Culture, Arts and Tourism department advocates for cultural activity and tourism, and manages Eastern Market The Detroit Historical Museum, Dossin Museum, and Fort Wayne are cultural attractions The Zoological Institute operates the main Zoo and the new Belle Isle Nature Zoo
CONTRIBUTE TO THE EDUCATION OF DETROITERS Communications and Creative Services focus on informing the public about city services and promoting their use The Detroit Cable Communications Commission offers public affairs programming and regulates the cable franchise The Detroit Public Library operates a branch library system and special central collections
4. DEVELOP ECONOMIC CAPACITY IN DETROIT
SUPPORT AN ATTRACTIVE CIVIC CENTER through the operation of the Cobo Hall and related facilities
PROVIDE INDUSTRIAL AND COMMERCIAL ASSISTANCE The Detroit Building Authority (DBA) oversees capital improvements for city facilities The Planning and Development Department works with developers and offers targeted infrastructure support
PROVIDE JOB OPPORTUNITIES FOR DETROITERS The Human Rights Department monitors discriminatory barriers to employment and entrepreneurial development The Senior Citizens Department operates the Senior Aides employment program
PROVIDE PROFESSIONAL ENRICHMENT OPPORTUNITIES FOR DETROITERS The Detroit Workforce Development Department administers targeted federal job training programs
5. FACILITATE TRANSPORTATION IN DETROIT
MAINTAIN PASSABILITY OF STREETS through design, street improvements, and snow and ice removal
OFFER MASS TRANSIT through the Department of Transportation bus system and services to special populations
OFFER AN AIR TRANSPORTATION OPTION at Detroit City Airport
MAINTAIN AND MONITOR PARKING FACILITIES through the Municipal Parking Department

OVERVIEW

6. PROTECT THE SUPPLY AND CONDITIONS OF BUILDING IN DETROIT
ENFORCE BUILDING AND SAFETY CODES through the inspection activities of Buildings & Safety Engineering
REDEVELOP COMMUNITIES through Planning & Development's Neighborhood Development Division
7. IMPROVE THE PHYSICAL ENVIRONMENT OF DETROIT
HANDLE SOLID WASTE EFFECTIVELY Solid Waste collection occurs through refuse and bulk waste collection operations The Greater Detroit Resource Recovery Authority operates the incinerator with the City as its largest customer
REGULATE THE ENVIRONMENTAL ASPECTS OF LAND USE The Environmental Affairs Department enforces environmental compliance and promotes brownfield cleanup The Department of Administrative Hearings will adjudicate blight violations The Zoning Appeals Board rules on citizen appeals of land use determinations
OFFER STREET LIGHTING through the Public Lighting Department
BEAUTIFY COMMUNITIES Department of Public Works Street Cleaning program maintains the appearance of all city streets The Office of Neighborhood Commercial Redevelopment works with communities according to larger city plans
ENVIRONMENTAL PROTECTION Public Works Department staff clean up vacant lots through grass cutting and debris removal
PROVIDE HEALTHY WATER SUPPLY AND SEWAGE DISPOSAL through the Water & Sewerage Department
DEMOLISH DANGEROUS BUILDINGS through the Demolition Division of Buildings & Safety Engineering
8. CONTINUOUSLY IMPROVE MANAGEMENT OF PUBLIC SERVICES
PROVIDE EXECUTIVE LEADERSHIP TO CITY AGENCIES The Human Resources Department recruits, selects, develops and guides the management of personnel The Law Department is the Corporation Counsel for all municipal affairs The Mayor's Executive Office directs administration, operations, development, and fiscal affairs The Program Management Office and Strategic Management Center are independent support agencies The Planning & Development Department prepares the City's Master Plan
MANAGE THE INFRASTRUCTURE OF CITY AGENCIES The Public Works Department manages vehicle assignment and service Information Technology Services Department supports all personal, network and specialized technology needs
MONITOR FIDUCIARY TRANSACTIONS EFFECTIVELY The Budget Department plans and monitors programs and projects in the annual operating and capital budgets The Finance Department, including Bond Interest and Redemption The Auditor General monitors the internal controls of agencies and of city fiscal management systems
OFFER COMMUNITY EXTENSION SERVICES Consumer Advocacy includes complaint mediation and public education about business practices Ten Mayor's Neighborhood City Halls throughout the city, offer a variety of city services and information After School Programs offer youth a place for enrichment activities The Senior Citizens Department The Detroit City Council is supported by the City Plan Commission, an advisory planning organization The City Ombudsman investigates citizens complaints with city services
DEVELOP AND REPRESENT PUBLIC POLICY The City has a Legislative Liaison to the State of Michigan executive and legislature The Board of Ethics recommends improvements in employee or agency standards of conduct The Detroit City Council is charged with the Legislative function of the City The Detroit City Clerk keeps the official record for city affairs The Elections Commission conducts local elections in accordance with State law
MAKE TARGETED CONTRIBUTIONS AND SUBSIDIES for important public services

City functions determine agency operating goals

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- longer-term decision making horizons
 - collaboration with citizens, community organizations, businesses, and all other segments of Detroit
 - performance tracking, benchmarking and other information gathering activities that relate to city services, including creating a Program Management Office and the Strategic Management Center
- ❖ Open communication of decision making information
- Annual Report to the Community (“Telling Our Story”) produced
 - Annual Survey of Citizen Satisfaction and City Service Priorities in conjunction with the annual public budget meetings
 - Cycle of user-friendly reports, such as electronic versions of the Budget and an enhanced CAFR

LONG-TERM FINANCIAL POLICY OF THE CITY

These goals serve as guiding principles for fiscal policy decisions:

- ❖ Maintain balanced operations.
- Expenditures will not exceed anticipated revenues.
 - Significant costs for major projects or initiatives will be addressed without affecting the General Fund.
 - Operating expenditures will be programmed to include the cost of implementing service of the capital improvements, and future revenues necessary for these expenditures will be estimated and provided for prior to undertaking the capital improvement.
 - Detail studies of City costs associated with fee based services to insure that

service fees cover the related cost.

- Operating expenditures will be programmed to include current costs of fully maintaining City facilities and equipment. A cost benefit analysis will be performed on replacement cost versus projected required maintenance costs to determine the level at which City facilities should be maintained. The analysis will also determine the long-term costs of any potential deferred maintenance costs. Normal maintenance will be funded through the operating budget.
- ❖ Build Financial Reserves.
- Gradual build up of funds in the Budget Stabilization Fund.
 - Maintain adequate reserves in the Insurance Reserve Fund.
 - Eliminate unfunded liabilities of the Pension Fund.
- ❖ Provide Tax Relief while maintaining essential services.
- Continue to explore permanent funding sources especially in the areas of the Cultural Arts and Public Transportation.
 - Continue to explore a regional dedicated tax and/or merger with regional entities to ensure the existence of quality services at equitable costs.
- ❖ Maximize Revenue collections
- Generate additional revenues and receive new grant or foundation funding, to increase services.
 - Aggressively collect delinquent revenue owed to the City. New procedures are being developed to

actively pursue the collection of all revenues and maintain an acceptable collection rate.

- ❖ Provide Stewardship of Grants and Trusts
 - Manage grants to comply with the laws, regulations and guidance of the grantor; and all gifts and donations will be managed and expended according to the wishes and instructions of the donor.
 - Prior to the acceptance of proposed gifts and donations and governmental grants a fiscal review will be conducted. The review should consider matching requirements, impacts on both revenues and expenditures for the next five years, whether the objectives of the gifts, donations or grants meet the strategic goals of the City, and any potential impact of loss of funds.
 - Maximize revenue from State and Federal Governments. The new Grants Acquisition Unit until will help the city focus its efforts in this area.
- ❖ Financial Reporting
 - Continue to improve the DRMS financial reporting system.
 - Financial reporting will monitor expenditures, revenue and performance of all municipal problems on an out going basis.
- ❖ Enterprise Fund self-sufficiency
 - Develop strategies so that all Enterprise Fund departments will generate sufficient revenues to cover the cost of their operations.

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- ❖ Operate Resource Recovery and Public Lighting utility at efficient capacity
 - Increase the efficiency of the Resource Recovery facility through the marketing of excess capacity to outside entities.
 - Improve reliability and safety at the lowest possible cost.
 - Continue the upgrading of residential and main street lighting.
 - Attain compliance with all applicable, Federal, State and local environmental and safety requirements.
- ❖ Maintain internal five year model
 - These internal models enable the Budget Department to assess changing conditions and plan for operational adjustment.
 - A report reflecting end of fiscal year status of performance against these criteria will be prepared within 60 days after official presentation of the Comprehensive Annual Financial Report to the City Council. A pro forma report reflected the Proposed budget status will be submitted with the City Managers' Proposed Budget each year.

Debt Management Plan - The City of Detroit has established the following debt management plan guidelines pertaining to the issuance and administration of debt:

- *Management Goals* - To establish practices which will enable the City to borrow funds to maintain and enhance the City's physical infrastructure, while minimizing the cost to taxpayers, ratepayers and users of publicly financed projects.

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- *Purpose of Debt* - To issue debt only for capital purposes, and not to finance current operations or working capital.
- *Compliance with Laws* - To follow all applicable Charter, State and Federal laws and regulations, including those regulations governing the amount and purpose for which debt may be issued and all federal regulations relating to the maintenance of the tax exempt status of bonds. Debt issuance shall be subject to all of the regular approvals and authorizations required under federal, state and local laws.
- *Investor/Rating Agency/Credit Provider Relations* - To provide timely, accurate and pertinent information to interested investors, rating agencies, and credit providers. The City will follow the disclosure guidelines approved by the Government Finance Officers Association to the greatest extent possible in disseminating information and will adhere to the City's Continuing Disclosure Undertaking commitments.
- *Security/Repayment Characteristics* – Revenue debt which is totally self-supporting, should be issued to the greatest extent possible. Voter-approved, unlimited tax bonds or bonds which are expected to be paid from non-general fund sources are generally the preferred options to finance capital projects which are not or which may not be self-supporting. Limited tax obligations which are payable only from current general fund tax dollars will be considered only if other options are not available.
- *Credit Support* – External credit support should be obtained when it is determined that use of such support produces present

value savings; however, the importance of maintaining market access for and name recognition of the underlying credit will be considered in evaluating the benefit of credit support.

- *Repayment Terms* - To repay bonds in a period not exceeding the average life of the project, generally not exceeding 25 years for general obligation bonds and 30 years for revenue bonds. Except to achieve overall level debt service with existing bonds, the City will avoid issuing debt which provides for balloon principal payments in the final year(s) of maturity. The City will use level or declining total debt service structures (which may take into account previously issued debt), except when an increasing debt payment structure fits an overall strategy of a project. In addition, during the period of construction, the City may choose to pay interest only or may capitalize interest, if appropriate.
- *Debt Levels* - To reduce general debt ratios to levels consistent with the average of cities of similar size and responsibilities. The goal of issuing debt without increasing the property tax burden will be factored into planning the sizing and scheduling of general obligation, unlimited tax bond issues.
- *Debt Instruments* - To issue debt with fixed rates and terms, except that variable rate debt may be issued if the total amount of true variable rate debt does not exceed 20% of the aggregate amount of debt payable from a particular source. Variable rate debt will be counted as fixed rate debt if it is synthetically converted to a fixed rate obligation through the use of an interest rate exchange or similar agreement, or if the

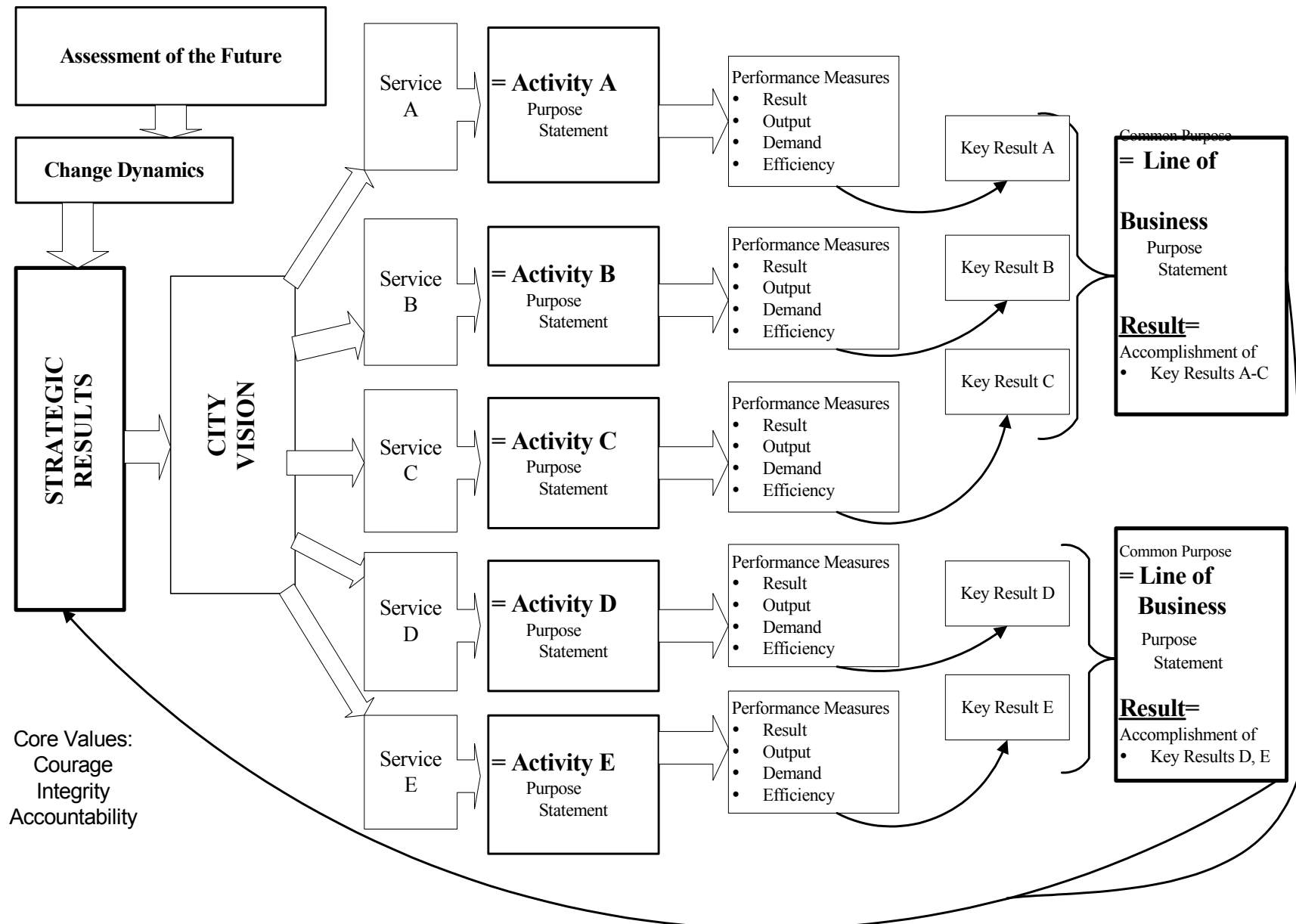
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period of interest rate exposure does not exceed 2 years. Debt instruments utilizing imbedded swaps or having other less traditional characteristics may be issued, provided the City is not unduly exposed to third party risk and that utilization of such an instrument does not precipitate an adverse rating agency reaction.

- *Short Term Debt/Leasing* - To minimize the need for short term debt by incorporating a goal of avoiding such debt in financial and cash flow planning. Leasing or lease purchase financing may be considered on a case-by-case basis for equipment and special projects, taking into account the expected life of the equipment and/or the nature of the project.
- *Investment of Bond Proceeds and Debt Service Funds* - To invest funds in accordance with State law, bond

indenture provisions and the City's written investment policy. All funds are invested with risk avoidance being of the highest priority, but taking into account cash needs and the potential for maximizing yields. Generally, the City's investment policy restricts the maximum term of investments in bond proceeds accounts to 3 years, in debt service accounts to the date such funds are required and in debt reserve accounts to 5 years.

- *Review of Management* - To review the debt management plan at least once every 2 years, and to include the formal debt policy as a part of or an annex to the City's Five year Capital Agenda.



City of Detroit City Service Planning Model